By Tomoeh Murakami Tse, Washington Post

J.P. Morgan Chase announced Friday an $11.7 billion profit for 2009, along with paydays for its investment-banking employees that exceeded those of the flush times before the financial crisis, drawing a sharp response from lawmakers in Washington.

Kicking off earnings season for the nation's biggest banks, J.P. Morgan said it had earmarked $9.3 billion in compensation expenses for the 24,700 employees in its investment bank. Although some traders and dealmakers will each earn millions of dollars, the compensation figure translates to an average payout per employee of $379,000 -- up 37 percent from 2008 and 21 percent from pre-crisis levels in 2007.

For the bank as a whole, J.P. Morgan set aside $26.9 billion for compensation. That translates to $121,000 per employee, up 20 percent from 2008 but just shy of the $125,000 earned on average by bank employees in 2007.

Criticism from Washington was swift. "The taxpayers are the people fueling their profits," said Rep. Peter Welch (D-Vt.), who introduced a bill this week to impose a 50 percent tax on large bonuses. "The bank had three choices. One, to add to their balance sheets. Two, to lend. And three, to put it in their pockets -- and that's what they chose to do."

J.P. Morgan's announcement highlighted the chasm between the broader economy, where Americans continue to grapple with double-digit unemployment rates, and Wall Street, which for the most part has regained its footing from the worst financial crisis in decades. This gap has raised the ire of the Obama administration and lawmakers, who contend that big banks have done little to help homeowners even as they were saved with taxpayer money and boosted by profits made in markets thawed by emergency federal lending programs.

Wall Street executives say the pay levels are backed by performance.

For the fourth quarter, J.P. Morgan reported earnings of $3.28 billion, or 74 cents a share, compared with earnings of $702 million, or 6 cents a share, a year earlier. Analysts had expected about 60 cents a share.

As has been the case during J.P. Morgan's resurgence, its results were boosted by strength in its investment-banking operations. The investment bank, which generated a majority of the company's 2009 profit, helped make up for losses in consumer banking, which continues to incur losses on consumer loans and credit cards. The bank set aside an additional $1.9 billion to cover losses on consumer loans during the fourth quarter.

On Friday, J.P. Morgan executives struck a cautious tone in discussing the bank's performance. Chief executive Jamie Dimon said in a statement that the results "fell short of both an adequate return on capital and the firm's earnings potential."

"While we are seeing some stability in delinquencies, consumer credit costs remain high, and weak employment and home prices persist," he said. "Accordingly, we remain cautious."

Shares of J.P. Morgan fell $1.01, or 2.3 percent, to close at $43.68. U.S. stock markets fell about 1 percent as investors scaled back expectations for earnings scheduled to be released next week by other major banks.

In a conference call Friday, Dimon expressed concern over the Obama administration's proposal to tax large financial firms to cover losses from the Troubled Assets Relief Program. Obama hopes the program, which requires congressional approval, will encourage smaller bonuses.

J.P. Morgan and other large banks have already returned their rescue funds, but American International Group, General Motors and Chrysler continue to rely on billions of dollars in aid from the program.

"TARP got extended to a lot of things other than banks, like insurance companies and car companies," said Dimon, who has emerged from the crisis as an industry leader. "So I don't understand why we should pay for that."

The remarks drew criticism from some lawmakers.

"This is about the finance economy, and this is about the government's role in bailing out the financial system," said Rep. Dennis J. Kucinich (D-Ohio), who has introduced his own legislation to tax bonuses. "Since major repairs were done to the financial system, everyone in that financial system benefited, J.P. Morgan Chase more than many others. They should know better."

J.P. Morgan said it has made changes to its compensation plans. For example, executives said the bank is paying out a larger portion of bonuses this year in company stock, not cash. And throughout the year, J.P. Morgan has been reducing the portion of revenue set aside for compensation expenses, the bulk of which consists of year-end bonuses.

In the fourth quarter, $549 million went into that pool, representing just 11 percent of revenue. This brought compensation expenses for the year down to 33 percent of revenue, down from 62 percent in 2008. Typically, investment banks put 50 percent of revenue toward compensation.